

Message Text

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PAGE 01 STATE 064006

21
ORIGIN EB-07

INFO OCT-01 CCO-00 SS-15 SSO-00 ISO-00 TRSE-00 NEA-09

NSCE-00 /032 R

DRAFTED BY EB/IFD/OMA:GPBALABANIS

APPROVED BY EB:JLKATZ

EB/IFD:PHBOEKER

S/S-0;MTANNER

TREAS:TLEDDY (PHONE)

NEA/ARP:FDICKMAN (PHONE)

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FM SECSTATE WASHDC

TO USDEL ASWAN IMMEDIATE

C O N F I D E N T I A L STATE 064006

TOSEC 861

E.O. 11652: GDS

TAGS:

SUBJ: BRIEFING MEMO: MIDDLE-EASTERN CURRENCIES PEG TO
SDR S/S NR7505593)

FOR THE SECRETARY FROM EB - KATZ, ACTING

1. RECENTLY THREE MIDDLE-EASTERN OIL PRODUCERS, SAUDI ARABIA, KUWAIT, AND QATAR, FOLLOWED IRAN IN DECIDING TO MAINTAIN THE EXCHANGE VALUE OF THEIR CURRENCIES IN TERMS OF THE SDR INSTEAD OF THE DOLLAR. THIS MEANS THAT THE DOLLAR PRICE OF LOCAL CURRENCIES IN THESE COUNTRIES WILL VARY FROM TIME TO TIME REFLECTING CHANGES IN MARKET RATES BETWEEN THE DOLLAR AND THE OTHER MAJOR CURRENCIES MAKING UP THE SDR "BASKET". THE OBJECTIVE OF THIS STEP, WHICH HAS BEEN TAKEN BY A NUMBER OF COUNTRIES IN VARIOUS PARTS OF THE WORLD, IS TO MODERATE FLUCTUATIONS IN THE LOCAL

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PAGE 02 STATE 064006

CURRENCY COSTS OF GOODS IMPORTED FROM THE NON-DOLLAR AREA--

ESPECIALLY EUROPE. THE SAUDI ARABIAN ACTION WAS ACCCOMPANIED
BY A SMALL (2 PERCENT) REVALUATION OF THE RYAL. FOR

AMERICANS THIS MEANS A SMALL INCREASE, AND THE PROSPECT OF
SOME FUTURE VARIATION (UP OR DOWN), IN THE DOLLAR PRICE OF
LOCAL CURRENCIES.

2. THE STEP HAS NO DIRECT IMPACT AT ALL ON THE PRICE OF
OIL. OIL PRICES ARE STILL BEING QUOTED IN DOLLARS.
NEITHER IS THERE ANY DIRECT IMPACT ON THE CURRENCY USED FOR
MAKING PAYMENTS FOR OIL-MOST PAYMENTS FOR OIL CONTINUE
TO BE MADE IN DOLLARS.

3. SAMA GOVERNOR QURAISHI TOLD AKINS OIL PRICES WOULD
CONTINUE TO BE SET IN DOLLARS--IN SPITE OF PRESSURE FROM
OTHER OPEC COUNTRIES TO CHANGE TO SDRS OR SOME OTHER
CURRENCY BASKET. ANY CHANGE ALONG THESE LINES, OF COURSE,
COULD HAVE AN IMPACT ON THE DOLLAR PRICE OF OIL AND MORE
SERIOUS CONSEQUENCES FOR U.S. INTERESTS.

INGERSOLL

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Message Attributes

Automatic Decaptoning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, BRIEFING MATERIALS, CURRENCIES, REVALUATIONS, TOSEC 861
Control Number: n/a
Copy: SINGLE
Draft Date: 21 MAR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: johnsorg
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE064006
Document Source: CORE
Document Unique ID: 00
Drafter: GPBALABANIS
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750098-0685
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750327/aaaaaxvh.tel
Line Count: 82
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: johnsorg
Review Comment: n/a
Review Content Flags:
Review Date: 13 AUG 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <13 AUG 2003 by izenbei0>; APPROVED <01 DEC 2003 by johnsorg>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: BRIEFING MEMO: MIDDLE-EASTERN CURRENCIES PEG TO SDR S/S NR7505593
TAGS: EFIN, ENRG, US, XF
To: ASWAN
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006